

ANNUAL MEETING
AMERICAN INSTITUTE OF MARINE UNDERWRITERS
“QUALITY SHIPPING AND THE MARINE UNDERWRITING
COMMUNITY”

RADM R. C. North

NOVEMBER 16, 2000

(SLIDE 1)

GOOD MORNING LADIES AND GENTLEMEN. I AM PLEASED AND
HONORED TO BE YOUR SPEAKER TODAY. IT IS OFTEN
SAID THAT WASHINGTON, D.C. IS 36 SQUARE MILES OF
BUREAUCRACY SURROUNDED BY REALITY. IT IS A
PLEASURE AND HONOR FOR ME TO BE HERE AMONGST
REALITY. I DON'T USUALLY ADDRESS UNDERWRITERS -
MOSTLY SHIOWNERS/MANAGERS - THANKS TO MR.
ZREBIEC AND MR. KRAMER FOR THE OPPORTUNITY TO BE
WITH YOU.

I BELIEVE WE HAVE MUCH IN COMMON AND SHOULD WORK CLOSER TOGETHER. WE BOTH ASSESS AND MANAGE RISK IN MARINE OPERATIONS - THANKS FOR YOUR CONTRIBUTION TO SAFETY. WE BOTH ARE INTERESTED IN SAFETY AND IDENTIFYING BOTH SUBSTANDARD AND QUALITY SHIPS/OPERATORS. HOWEVER, OUR DEFINITIONS MAY VARY, AS WELL AS OUR ASSESSMENT METHODS.

TODAY, IN THE WORLD OF SHIPPING, THE CONCEPT OF "QUALITY" IS A VERY TOPICAL ISSUE. I'M GOING TO PROVIDE YOU SOME THOUGHTS ABOUT THAT INCLUDING THE ROLE OF UNDERWRITERS FROM THE PERSPECTIVE OF THE U.S. COAST GUARD AS THE U.S. FLAG AND PORT STATE ADMINISTRATIVELY RESPONSIBLE FOR MARITIME SAFETY AND MARINE ENVIRONMENTAL PROTECTION. I'LL TALK FOR 15 MINUTES -THEN SOME Q&A.

FOREIGN FLAG VESSELS IN OCEANS TRADE CALL IN U.S. PORTS AT A RATIO OF 14/1 COMPARED TO U.S. FLAG VESSELS. SO, THEY REPRESENT THE VAST PROPORTION OF RISK TO VESSELS, CARGO, PEOPLE, AND THE ENVIRONMENT BECAUSE OF THE NUMBERS AND SOME UNCERTAINTY AS TO THEIR QUALITY COMPARED TO THE MUCH MORE EXTENSIVE CONTROL WE HAVE ON U.S. VESSELS AND DEGREE OF INFORMATION AVAILABLE.

ACCORDINGLY, AS A PORT STATE - A COUNTRY WHOSE PORTS ARE IN THE RECEIVING END OF FOREIGN VESSEL VISITS - WE'VE DEVELOPED AN EXTENSIVE PORT STATE CONTROL PROGRAM TO EXERCISE OUR RIGHT AND RESPONSIBILITY UNDER VARIOUS INTERNATIONAL CONVENTIONS RELATING TO SAFETY/MARINE ENVIRONMENTAL PROTECTION TO VERIFY COMPLIANCE WITH THEM.

OUR PROGRAM IS RISK BASED AND ATTEMPTS TO IDENTIFY THOSE VESSELS WITH HIGHEST POTENTIAL TO BE SUBSTANDARD - SUBSTANTIAL NON-COMPLIANCE WITH INTERNATIONAL CONVENTIONS, U.S. STANDARDS, AND GENERAL MATERIAL CONDITION - OR POSE THE MOST RISK TO SAFETY AND THE ENVIRONMENT.

RISK ASSESSMENT IS BASED ON A FIVE COLUMN MATRIX THAT CONSIDERS THE PORT STATE CONTROL HISTORY OF AN INDIVIDUAL VESSEL OWNER, FLAG OF REGISTRY, CLASSIFICATION SOCIETY, AND TYPE OF VESSEL (I.E., TANKER, BULKER, PASSENGER VESSEL, ETC.).

POINTS ARE AWARDED FOR EACH COLUMN AND THE SCORE DETERMINES WHETHER THE VESSEL IS PRIORITY 1, 2, 3, 4. THE ASSESSMENT IS MADE WHEN THE 24-HOUR ADVANCE NOTICE OF ARRIVAL IS RECEIVED BY THE LOCAL CAPTAIN OF THE PORT. OUR "CONTROL" MAY BE TO DENY ENTRY, DETAIN FOR REPAIRS, CONTROL CARGO OPERATIONS, ONLY BOARD AND MONITOR CARGO OPERATIONS OR EXERCISE NO CONTROL AT ALL BEYOND THE INITIAL ASSESSMENT

.
EACH YEAR WE PUBLISH ON OUR WEB SITE A LIST OF OWNERS, FLAGS, AND CLASS SOCIETIES THAT HAVE EXCESSIVE DETENTION RATES BASED ON A 3-YEAR ROLLING AVERAGE - AND WE TARGET THOSE VESSELS WITH HIGH POINTS ON THE MATRIX. DETENTIONS ARE A PRIMARY MEASURE ALONG WITH DEFICIENCIES AND VIOLATIONS.

WE ALSO PROVIDE DETAILED VESSEL BOARDING VIOLATION HISTORIES AVAILABLE THROUGH THE PORT STATE INFORMATION EXCHANGE (PSIX) ON OUR WEB SITE.

WE'RE NOW LINKED TO EQUASIS TO SHARE PORT STATE CONTROL DATA WITH PARIS AND TOKYO UNDER OUR PORT STATE CONTROL MOU'S.

(SLIDE 2)

SO, FROM OUR PERSPECTIVE, THE STRUCTURE THAT SUPPORTS QUALITY BEGINS WITH A FOUNDATION OF INTERNATIONAL STANDARDS AND TRANSPARENCY OF VESSELS' COMPLIANCE.

FROM THAT FOUNDATION, THE VARIOUS LINKS IN THE CHAIN OF RESPONSIBILITY USE THOSE STANDARDS TO ATTAIN THE GOAL OF SAFER SHIPS, CLEANER OCEANS:

(SLIDE 3)

- AS A UNIFORM WORLDWIDE FRAMEWORK, MEASURE QUALITY OR LACK OF IT AND IMPROVE IT
- SIMPLIFY THE PROCESS OF COMPLIANCE AND ATTAINMENT OF QUALITY THAT WOULD BE MUCH MORE COMPLEX IF EVERY COUNTRY HAD DIFFERENT STANDARDS

(SLIDE 4)

- EVEN THE PLAYING FIELD AMONGST COMPETING ECONOMIC INTERESTS.

PRIMARY RESPONSIBILITY FOR COMPLIANCE LIES WITH OWNERS, FOLLOWED BY FLAG, FOLLOWED BY CLASS AND OTHERS - INCLUDING INSURANCE - AND FINALLY, THE PORT STATE - AS THE LAST SAFETY NET TO ENSURE COMPLIANCE.

(SLIDE 5)

THIS IS A PORT STATE VIEW OF THE CURRENT STATE - PORT STATE CONTROL SUPPORTING AN INORDINATE SHARE OF THE LOAD BECAUSE TOO MANY OWNERS, FLAGS, CLASS, CHARTERERS, AND OTHERS ARE NOT DOING THEIR SHARE - AND THIS IS NOT A UNIQUE U.S. VIEW.

THE GOAL OF ALL THE LINKS IN THE CHAIN OF RESPONSIBILITY IS IN THE WORDS OF THE INTERNATIONAL MARITIME ORGANIZATION - SAFER SHIPS, CLEANER OCEANS.

THE MEANS TO ATTAIN THIS GOAL IS CONTINUOUS IMPROVEMENT OF THE QUALITY OF SHIPPING, INCLUDING SHIPS, PEOPLE (ASHORE AND AFLOAT), AND THE MANAGEMENT SYSTEMS IN WHICH THEY OPERATE.

(SLIDE 6)

WE ATTEMPT TO BALANCE THAT EFFORT WITH FACILITATION OF COMMERCE.

(SLIDE 7)

WHILE WE COLLECTIVELY HAVE MADE PROGRESS IN IMPROVING QUALITY, ONE ONLY HAS TO THINK OF THE LOSS OF THE TANKER "ERIKa" LAST DECEMBER THAT COATED FRENCH BEACHES WITH OIL OR THE LOSS OF THE GREEK FERRY "EXPRESS SAMINA" A FEW WEEKS AGO WITH NEARLY 80 LIVES LOST TO REALIZE THAT WE STILL HAVE PROBLEMS WITH THE SHIPS, THE PEOPLE, AND THE MANAGEMENT SYSTEMS.

(SLIDE 8)

VIRTUALLY THE WHOLE CHAIN CAN CLAIM SOME LEVEL OF RESPONSIBILITY FOR BOTH ACCIDENTS.

CLOSER TO HOME, IN SAN FRANCISCO, WE RECENTLY EXPERIENCED AN ESPECIALLY EGREGIOUS PORT STATE CONTROL EVENT.

(SLIDE 9)

THE SINGAPORE FLAGGED "NEPTUNE DORADO" LOADED WITH CRUDE OIL WAS BOARDED AND FOUND TO HAVE 30 SAFETY DEFICIENCIES, INVOLVING MACHINERY SAFEGUARDS, FIREFIGHTING, LIFESAVING EQUIPMENT, 4 TONS OF CARGO IN THE WATER BALLAST TANKS, THE CARGO INERTING SYSTEM, FALSE OIL RECORD BOOK ENTRIES, AND A FEW OTHER THINGS.

(SLIDE 10)

THE VESSEL WAS DETAINED, AND CARGO OPERATIONS WERE NOT ALLOWED INITIALLY. THE MASTER WAS ARRESTED AND INDICTED FOR MAKING FALSE STATEMENTS TO THE COAST GUARD. THE VESSEL IS IN THE PROCESS OF CLEANING TANKS OFFSHORE TO RETURN TO SAN FRANCISCO FOR A TANK INTERNAL EXAM TO DETERMINE WHY OIL WAS IN THE BALLAST TANKS - CRACKS OR DELIBERATE, WE THINK BOTH.

(SLIDE 11)

I MIGHT ADD THAT THE CARGO WAS DELIVERED UNDER EXTRAORDINARY CONDITIONS TO COMPENSATE FOR THE SAFETY DEFICIENCIES.

THE VESSEL WAS CLASSED BY LLOYD'S REGISTER WITH INTERNATIONAL SAFETY MANAGEMENT CODE CERTIFICATES ISSUED BY DET NORSKE VERITAS. I DON'T KNOW THE INSURANCE DETAILS, BUT IT WAS A SUBSTANTIAL RISK.

THANKFULLY, TRAGEDIES SUCH AS ERIKA AND EXPRESS SAMINA, AND PSC EXPERIENCES SUCH AS NEPTUNE DORADO, ARE BECOMING LESS COMMON AND OVERALL, OUR EFFORTS TO IMPROVE THE QUALITY OF SHIPPING THROUGH INTERNATIONAL STANDARDS ARE SHOWING POSITIVE RESULTS.

I WOULD LIKE TO PROVIDE SOME OBSERVATIONS ON THE GLOBAL EFFECTIVENESS OF THE PORT STATE CONTROL PROGRAM USING COMPLIANCE WITH INTERNATIONAL STANDARDS AS A BENCHMARK.

(SLIDE 12)

IN THE U.S. IN 1998, WE EXPERIENCED A 32% DECLINE IN OVERALL VESSEL DETENTIONS FOR FAILING TO MEET INTERNATIONAL STANDARDS FROM 1997 FIGURES, AND THE NUMBER OF DETENTIONS FOR 1999 IS DOWN 31% FROM THE NUMBER OF DETENTIONS FOR 1998. DETENTIONS RELATED TO CLASS SOCIETY PERFORMANCE HAVE DECREASED FROM 37% IN 1996 TO 15% IN 1999.

THIS DOWNWARD TREND, ALTHOUGH NOT AS PRONOUNCED, IN OVERALL PSC DETENTIONS HAS ALSO BEEN OBSERVED IN THE PARIS AND TOKYO MOU REGIONS AS WELL.

I BELIEVE THAT, AMONG OTHER THINGS, THE ISM CODE HAS HAD A POSITIVE INFLUENCE ON THIS DOWNWARD TREND IN THE PREPARATION TO IMPLEMENT THE CODE. THE USCG WORKED EXTENSIVELY IN FORMAL PARTNERSHIPS WITH BIMCO AND INTERTANKO TO FACILITATE PHASE I IMPLEMENTATION AND WE CONTINUE TO WORK WITH BIMCO FOR PHASE II VESSELS.

THE OVERALL PSC DETENTION RATE DOWNWARD TRENDS THAT I MENTIONED EARLIER WERE MOST PRONOUNCED IN ISM PHASE I VESSEL CLASSES WITH A DETENTION RATE REDUCTION OF MORE THAN 50% COMPARED TO 30% - SIGNIFICANTLY BETTER.

OUR PORT STATE CONTROL PROGRAM HAS BEEN SUCCESSFUL THUS FAR, BUT WE PLAN TO MAKE SOME CHANGES TO OUR PROGRAM TO SHARPEN IT EVEN FURTHER. WE WILL IMPLEMENT TWO ADDITIONAL MEASURES THAT WILL BECOME EFFECTIVE JANUARY 1, 2001.

(SLIDE 13)

FIRST, ON SEPTEMBER 25 AT THE MARE FORUM IN ATHENS, GREECE MENTIONED EARLIER, I ANNOUNCED THE DETAILS OF A NEW PSC INITIATIVE BY THE USCG CALLED QUALSHIP 21, QUALITY SHIPPING FOR THE 21ST CENTURY, THAT WE HOPE WILL FURTHER IMPROVE THE QUALITY OF SHIPPING THROUGH AN INCENTIVES PROGRAM FOR VESSELS WHO GO WAY BEYOND MERE COMPLIANCE WITH INTERNATIONAL STANDARDS. THIS INITIAL PROGRAM IS FOR FOREIGN FLAG VESSELS. WE'RE DEVELOPING SOMETHING SIMILAR FOR U.S. FLAG VESSELS.

WELL, WHAT SHIPS WOULD QUALIFY FOR THESE INCENTIVES?
HOW DO YOU DEFINE A QUALSHIP 21 VESSEL?

(SLIDE 14)

FIRST, WE WILL CONSIDER THE PERFORMANCE - BASICALLY A LACK OF DETENTIONS FOR THE OWNER, FLAG, AND CLASS. THE VESSEL MAY NOT HAVE BEEN DETAINED, AND DETERMINED TO BE SUBSTANDARD, IN U.S. WATERS WITH THE PREVIOUS 36 MONTHS.

THE VESSEL ALSO MAY NOT BE OWNED OR OPERATED BY ANY COMPANY THAT HAS BEEN ASSOCIATED WITH A SUBSTANDARD VESSEL DETENTION IN U.S. WATERS WITHIN 24 MONTHS. IN ADDITION, THE VESSEL MAY NOT BE CLASSED BY, NOR HAVE THEIR STATUTORY CONVENTION CERTIFICATES ISSUED BY, A TARGETED CLASS SOCIETY.

THE VESSEL MAY NOT BE REGISTERED WITH A FLAG STATE THAT HAS A DETENTION RATIO MORE THAN 1/3 OF THE OVERALL U.S. DETENTION RATIO, DETERMINED ON A 3-YEAR ROLLING AVERAGE. (FLAG STATES MUST ALSO HAVE AT LEAST 10 DISTINCT VESSEL ARRIVALS PER YEAR). THE CURRENT 3-YEAR ROLLING AVERAGE IS A 1.68% RATIO - AND ONLY 13 FLAGS QUALIFY.

THE VESSEL'S FLAG STATE MUST HAVE SUBMITTED ITS SELF-ASSESSMENT OF FLAG STATE PERFORMANCE TO THE IMO, AND ALSO PROVIDED A COPY TO THE UNITED STATES. WE INTEND TO REWARD THOSE FLAG STATES THAT COMPLETE SELF-ASSESSMENTS AND FACILITATE TRANSPARENCY OF PERFORMANCE.

NEXT, THE VESSEL MAY NOT HAVE HAD ANY MARINE VIOLATIONS^{*}, ANY REPORTABLE MARINE CASUALTIES THAT MEET THE DEFINITION OF A SERIOUS MARINE INCIDENT (46 CFR 4.03-2), OR ANY MAJOR MARINE CASUALTIES (46 CFR 4.40) IN U.S. WATERS WITHIN THE PREVIOUS 36 MONTHS.

THE VESSEL MUST HAVE COMPLETED A SUCCESSFUL U.S. COAST GUARD PSC EXAMINATION WITHIN THE PREVIOUS 12 MONTHS OF ELIGIBILITY DETERMINATION.

WHAT ARE THE INCENTIVES FOR A QUALSHIP 21 VESSEL?

PRINCIPALLY, SIGNIFICANTLY LESS COAST GUARD ACTIVITY ON THE VESSEL WHEN IT IS IN A U.S. PORT THAT WILL FACILITATE CARGO DELIVERY, WHICH IS THE BEGINNING OF A TREND TO REDUCE MULTIPLE INSPECTIONS OF VESSELS.

QUALIFYING VESSELS WILL BE ISSUED A U.S. COAST GUARD "QUALSHIP 21" DESIGNATION CERTIFICATE.

^{*} A marine violation is any violation that results in a monetary civil penalty that is assessed by a hearing officer. This includes violations of the Federal Water Pollution and Control Act and pollution incidents. However, if a pollution incident is settled through the NOV program (ticket), one will be allowed during the evaluation period.

QUALSHIP 21 PASSENGER VESSELS WILL NOT BE ELIGIBLE FOR A REDUCTION IN ANY PORT STATE CONTROL EXAMS - GIVEN THE PRECIOUS CARGO THEY CARRY, WE WILL NOT REDUCE SCRUTINY. HOWEVER, A QUALSHIP 21 PASSENGER VESSEL WILL ALSO RECEIVE A CERTIFICATE AS RECOGNITION FOR MEETING THIS STRINGENT CRITERIA.

OUR INITIAL SCREENING OF THE RECORDS OF THE 9000 SHIPS THAT CALL IN THE U.S. SHOW ABOUT 600 QUALIFYING FOR QUALSHIP DESIGNATION - 6.8% VERSUS 4.5% DETENTIONS.

WE HOPE THAT EVENTUALLY, UNDERWRITERS, PORTS, FINANCIAL INSTITUTIONS, AND OTHER ENTITIES WILL RECOGNIZE THE QUALSHIP PROGRAM AND PROVIDE ADDITIONAL INCENTIVES, THROUGH LOWER RATES OR OTHER MEANS. IS THERE AN OPPORTUNITY HERE FOR UNDERWRITERS TO FURTHER PROMOTE QUALITY AND REDUCE RISK? I'D BE INTERESTED IN YOUR VIEWS. WE'D CONSIDER MODIFYING OUR PROGRAM TO MAKE IT MORE ATTRACTIVE TO YOU.

AS OUR SECOND IMPROVEMENT TO OUR PORT STATE CONTROL PROGRAM, WE PLAN TO ADD CHARTERERS TO OUR PORT STATE CONTROL TARGETING MATRIX TO INCLUDE CONSIDERATION OF THE VESSEL'S CHARTERER AS AN ELEMENT OF QUALITY OR THE LACK THEREOF.

(SLIDE 15)

WE CONTINUE TO EXAMINE THE FEASIBILITY OF IDENTIFYING CHARTERERS THAT ARE ASSOCIATED WITH MULTIPLE DETENTIONS AND INTEND TO PUBLISH A LIST OF TARGETED CHARTERS. THAT WILL THEN BECOME A NEW DIMENSION IN PSC TARGETING AND QUALITY AS WELL AS QUALITY RECOGNITION.

WE BELIEVE THAT, COLLECTIVELY, THESE MEASURES WILL CREATE VARIOUS INTERACTIONS AMONG THE DIFFERENT PLAYERS IN THE CHAIN OF RESPONSIBILITY THAT WILL, IN TURN, CREATE INCENTIVES TO ASSUME THEIR APPROPRIATE SHARE OF RESPONSIBILITY FOR QUALITY SHIPPING.

FOR EXAMPLE, AN OWNER OF A VESSEL BEING HELD BACK FROM QUALITY RECOGNITION BY THE POOR PSC RECORD OF A REGISTRY OR CLASS SOCIETY MAY BRING PRESSURE ON THAT REGISTRY OR CLASS SOCIETY TO IMPROVE OR TAKE ITS BUSINESS ELSEWHERE.

AS THE SAME TIME THAT WE ARE PURSUING PSC
IMPROVEMENTS, WE ARE ENGAGING IN FORMAL
PARTNERSHIPS WITH A NUMBER OF INDUSTRY
ASSOCIATIONS BOTH DOMESTICALLY AND
INTERNATIONALLY INCLUDING:

(SLIDE 16)

- AMERICAN WATERWAYS OPERATORS;
- AMERICAN PETROLEUM INSTITUTE/CHAMBER OF SHIPPING
OF AMERICA;
- SPILL CONTROL ASSOCIATION OF AMERICA/ASSOCIATION OF
PETROLEUM INDUSTRY COOPERATIVE MANAGERS;
- INTERNATIONAL ASSOCIATION OF INDEPENDENT
TANKOWNERS;
- BALTIC AND INTERNATIONAL MARITIME COUNCIL;
- AMERICAN PILOTS ASSOCIATION;
- INTERNATIONAL COUNCIL OF CRUISE LINES; AND,
- U.S. PASSENGER VESSEL ASSOCIATION

THE PURPOSE OF THOSE FORMAL PARTNERSHIPS IS TO PURSUE
NON-REGULATORY SOLUTIONS TO MUTUAL CONCERNS
ABOUT SAFETY AND ENVIRONMENTAL PROTECTION AND
RESPONSE.

WE HAVE EXECUTED FORMAL PARTNERSHIP AGREEMENTS
WITH EACH ORGANIZATION AND ESTABLISHED
PARTNERSHIP ACTION TEAMS TO PURSUE SPECIFIC
PROJECTS - SUCH AS:

(SLIDE 17)

- FACILITATION OF ISM IMPLEMENTATION AND
DEVELOPMENT OF A VOLUNTARY NEAR MISS REPORT WITH
INTERTANKO AND BIMCO
- OIL SPILL REDUCTION MEASURES AND DECKHAND
ACCIDENTS WITH AWO
- PASSENGER VESSEL EVACUATION EXERCISES AND GREY
WATER POLLUTION WITH ICCL
- BRIDGE COMMUNICATIONS AND ALERTNESS WITH CSA AND
API
- DEVELOPMENT OF A RISK ASSESSMENT GUIDE WITH PVA

WE LOOK TO START OTHER PROJECTS AS THESE CONCLUDE
AND USE OUR PARTNERSHIPS FOR CONTINUOUS
IMPROVEMENT. AND WE SEEK OTHER FORMAL PARTNERS
- WE WOULD BE INTERESTED IN CONSIDERING AN
UNDERWRITER GROUP FOR A FORMAL PARTNERSHIP TO
EXPLORE AREAS SUCH AS STATISTICS, RISK ASSESSMENT,
QUALSHIP, FISHING VESSELS, HIGH SPEED CRAFT, DOUBLE
HULLS, PORTS, AND NAVIGATION SAFETY.

CURRENTLY, WE'RE WORKING WITH INTERCARGO TO DEVELOP A FORMAL PARTNERSHIP AND PROJECT FOCUSSED ON ENVIRONMENTAL PROTECTION ISSUES.

IN CONCLUSION, WE EMPLOY AN AGGRESSIVE RISK BASED PSC PROGRAM. USING INTERNATIONAL STANDARDS AS A MEASURE, WE SEE SIGNIFICANT PROGRESS TOWARD IMPROVED QUALITY OF SHIPPING AS INDICATED BY A REDUCTION IN PSC DETENTIONS, BUT ARE STILL NOT SATISFIED WITH THE NUMBER OF VESSELS WE FIND NON-COMPLIANT. ALL LINKS IN THE CHAIN OF RESPONSIBILITY MUST DO MORE TO AID IN FURTHER IMPROVEMENTS.

FROM THE PERSPECTIVE OF A PORT STATE WE SEE NUMEROUS OPPORTUNITIES TO IMPROVE COMPLIANCE AND QUALITY SHIPPING AND REDUCE RISK AND SHIFT THE BURDEN APPROPRIATELY AMONGST THE CHAIN OF RESPONSIBILITY WITHIN THE FRAMEWORK OF INTERNATIONAL STANDARDS, AS FOLLOWS:

- CREATION OF INCENTIVES FOR FLAG STATES TO IMPROVE THEIR PERFORMANCE;
- CONTINUING THE STRONG EMPHASIS ON ISM IMPLEMENTATION AND COMPLIANCE;
- INCREASING ACCOUNTABILITY OF CHARTERERS;

- ESTABLISHING INCENTIVES FOR QUALITY SHIPS SUCH AS LESS PORT STATE EXAMINATIONS AND OTHER INCENTIVES FOR VESSELS DEMONSTRATING QUALITY ALONG THE LINES OF PERFORMANCE AND TRANSPARENCY THAT AT THE SAME TIME CREATES INCENTIVES FOR OWNERS AND FLAG STATES TO CONTINUE TO IMPROVE QUALITY - ALL TOWARDS THE GOAL OF "SAFER SHIPS, CLEANER OCEANS." WITH OWNERS AND FLAG STATES CARRYING OUT THEIR FULL RESPONSIBILITY AND PSC BEING ONLY A QUALITY CHECK, THIS IS THE DESIRED STATE OF THE STRUCTURE OF QUALITY SHIPPING.

WE BELIEVE THAT THE CONCEPT OF PARTNERSHIPS - WHETHER A CLOSER RELATIONSHIP WITH INCREASED COMMUNICATIONS BETWEEN THE LINKS IN THE CHAIN OF RESPONSIBILITY OR THROUGH FORMAL AGREEMENTS - ARE A VERY EFFICIENT AND EFFECTIVE MEANS TO IMPROVE QUALITY OF SHIPPING. WE WILL CONTINUE TO EMPLOY MORE TRADITIONAL METHODS WITH THE CONCEPT OF PARTNERING FOR SAFETY, ENVIRONMENTAL PROTECTION, AND RISK REDUCTION, PERHAPS DISPLACING MORE TRADITIONAL FORMAL REGULATORY PROCESSES OR AT LEAST CREATING A CULTURE WHERE FORMAL REGULATORY PROCESSES ARE MINIMIZED AND REFOCUSED FROM A PRESCRIPTIVE TO A PERFORMANCE BASED APPROACH.

THANK YOU. I'D BE PLEASED TO TAKE YOUR QUESTIONS -
ANYTHING IN MY COMMENTS ARE OTHERWISE.